5 questions to ask before you invest in property through your SMSF

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There's a question mark next to SMSF property investment, so Aussies considering the move should weigh up the pros and cons.

Westpac made headlines recently after it announced that it would stop lending to SMSFs, leading property groups to warn the move indicates the riskiness of the investment.

Other groups suggested commercial property could fill the void, while others still highlighted the smaller lenders that remain in the market.

According to legal technology experts GlobalX, the message for borrowers is to exercise caution.

CEO Peter Maloney said the trend of buying property through an SMSF is understandable given Australians' lack of trust in financial institutions.

"More buyers and older Australians are planning for their future and they have lost faith in their financial systems. They are turning to self-managed super funds (SMSF) to build their property portfolios," Mr Maloney said.

"The appeal of this to the average Australian is that they get to decide when and where their super is invested and they can see a physical asset." However, buyers should still be careful about the move given the weight of fees in addition to borrowing conditions.

He said these are the five key points investors need to consider:

1. **Who should you consult for advice?**

"There are so many rules involved with the process so it's important to seek independent financial advice on whether this is the right move for you," Mr Maloney said. This is in addition to seeking legal advice.

"You shouldn't be afraid to ask your lawyer or conveyancer and your accountant to explain things to you in depth. It's tough to wrap your head around so it's always better to be comfortable and ask plenty of questions," he said.

2. **Do you understand your responsibilities?**

"If your SMSF property loan documentation and contract isn't set up correctly, unwinding the arrangement could be difficult so you want to ensure you are fully aware of what you are getting yourself into," Mr Maloney said.

3. **How much will it cost?**

SMSFs need to maintain a "liquidity buffer" of 10 per cent of the proposed investment's value, so investors can't use all of their superannuation to buy an investment property.

4. **How do the fees compare to other property loans?**

"There are a lot of fees involved with SMSF property sales and these can add up and reduce your overall super balance. You should definitely try to find out all of the costs before signing up," he said. Fees include legal fees, stamp duty, advice fees, bank fees and the upfront fees.

5. **What's your investment strategy?**

In line with the second question, investors need to be aware of the requirement to have a documented investment strategy. This is a detailed financial plan that factors in the current and future needs of the fund's members.